



House of Representatives

General Assembly

File No. 573

January Session, 2001

Substitute House Bill No. 6788

House of Representatives, May 2, 2001

The Committee on Finance, Revenue and Bonding reported through REP. MCDONALD of the 148th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING BUSINESS TAX CREDITS FOR COMMUNITY ECONOMIC DEVELOPMENT.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (a) As used in this section, "business firm" means
2 any business entity authorized to do business in this state and subject
3 to the corporation business tax imposed under chapter 208 of the
4 general statutes, or any company subject to a tax imposed under
5 chapter 207 of the general statutes, any air carrier subject to the air
6 carriers tax imposed under chapter 209 of the general statutes, or any
7 railroad company subject to the railroad companies tax imposed under
8 chapter 210 of the general statutes, or any regulated
9 telecommunications service, express, telegraph, cable or community
10 antenna television company subject to the regulated
11 telecommunications service, express, telegraph, cable and community
12 antenna television companies tax imposed under chapter 211 of the
13 general statutes, or any utility company subject to the utility

14 companies tax imposed under chapter 212 of the general statutes.

15 (b) There shall be allowed as a credit against the tax imposed by
16 chapter 207, 208, 209, 210, 211 or 212 of the general statutes in any
17 income year an amount equal to sixty per cent of the amount donated
18 during such income year by a business firm to a nonprofit organization
19 which has established a revolving loan fund to provide loans for
20 development of small businesses in targeted investment communities,
21 as defined in section 32-222 of the general statutes, or in public
22 investment communities, as defined in section 7-545 of the general
23 statutes. Such credit may only be used to reduce tax liability and shall
24 not otherwise be refunded by the state.

25 (c) The Commissioner of Economic and Community Development
26 shall, in consultation with the Commissioner of Revenue Services,
27 adopt regulations, in accordance with the provisions of chapter 54 of
28 the general statutes, for establishment and operation of community
29 small business development revolving loan funds eligible for the credit
30 provided in this section. Such regulations shall include provisions for
31 loan eligibility and shall specify expenses for which loans may be
32 made and provide the documentation and procedures necessary for a
33 business firm to qualify for the tax credit. Loans from any such fund
34 shall be spent in this state and used for costs of small businesses in
35 such communities.

36 (d) Any business firm which desires to apply for the credit allowed
37 by this section shall submit documentation of its eligibility for such
38 credit, under the regulations adopted under subsection (c) of this
39 section, to the Commissioner of Economic and Community
40 Development on or before November first of each year. The
41 commissioner shall randomly select from among all qualified business
42 firms, those firms allowed said credit. The credit shall be claimed on
43 the tax return for the income year during which the selected business
44 firm made payment into the revolving loan fund. The sum of all tax

45 credits granted pursuant to the provisions of this section shall not
46 exceed one hundred thousand dollars annually per business firm. In
47 no event shall the total amount of all tax credits allowed to all business
48 firms pursuant to the provisions of this section exceed one million
49 dollars in any one fiscal year.

50 (e) Any business firm claiming the credit allowed by this section
51 shall submit documentation to the Commissioner of Revenue Services
52 that the revolving loan fund complies with regulations for revolving
53 loan funds established by the Commissioner of Economic and
54 Community Development under subsection (c) of this section and has
55 been selected under subsection (d) of this section.

56 (f) Any tax credit not used in the period during which the
57 investment was made may be carried forward for the three
58 immediately succeeding income years until the full credit has been
59 allowed.

60 (g) If the Commissioner of Economic and Community Development
61 determines that sixty per cent or more of a revolving loan fund has not
62 been loaned as provided in this section on or before the date that is
63 three years after the date that a revolving loan fund is established
64 pursuant to this section, the commissioner shall notify such firm that a
65 determination has been made that the sixty per cent or more of the
66 fund has not been loaned as provided in this section, and such firm
67 shall be required to repay any credits previously granted under this
68 section, to the extent provided for in regulations, on the first tax return
69 required to be filed on or after the date of such notice for a tax imposed
70 by chapter 207, 208, 209, 210, 211 or 212. If any amount of such repaid
71 credit has not been paid to the Commissioner of Revenue Services on
72 or before the due date of such return, such amount shall bear interest
73 at the rate of one per cent per month or fraction thereof from such due
74 date to the date of payment.

75 Sec. 2. This act shall take effect July 1, 2001, and shall be applicable

76 to income years commencing on and after January 1, 2001.

FIN *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: Revenue Loss, Cost

Affected Agencies: Department of Revenue Services, Department of Economic and Community Development

Municipal Impact: None

Explanation**State Impact:**

The bill caps the total amount of tax credits that can be claimed in any one-income year at \$1 million. Therefore, the bill results in annual General Fund revenue loss of up to \$1 million beginning in FY 02.

There will be an initial cost to the Department of Economic and Community Development (DECD) of \$25,000 to \$30,000 or the diversion of staff of approximately 1/4 of a man-year to adopt procedures for the establishment and operation of community small business development revolving loan funds eligible for tax credits. Any ongoing workload increase due to the review of documentation from businesses applying for tax credits is anticipated to be handled within existing staff and resources of DECD.

OLR BILL ANALYSIS

sHB 6788

**AN ACT CONCERNING BUSINESS TAX CREDITS FOR
COMMUNITY ECONOMIC DEVELOPMENT.****SUMMARY:**

This bill establishes a credit against the corporation and other business taxes equal to 60% of the amount a business donates to nonprofit organizations that provide small business development loans in targeted investment and public investment communities through revolving loan funds established for that purpose. A business must apply to the Department of Economic and Community Development (DECD) commissioner for a credit and claim it only if the commissioner randomly selects the business from among all qualifying businesses.

The bill limits the credits to \$100,000 per year for a single company and \$1 million per year for all companies.

Credits must be taken on the tax return for the income year in which the business makes the payment into the loan fund, though excess credits may be carried forward for the three following years. The credits can be used only to reduce a company's tax liability and are not otherwise refundable.

Loans from the funds must be spent in the state and used for small business costs in the qualifying communities. If DECD determines an organization has not loaned at least 60% of its fund within three years after it is established, the bill requires businesses to repay the tax credits.

EFFECTIVE DATE: July 1, 2001 and applicable to income years beginning on or after January 1, 2001.

LOAN PROCEDURES

The bill requires the DECD commissioner to adopt regulations, in consultation with the revenue services commissioner, for establishing and operating community small business development revolving loan funds eligible for credits under the bill. The regulations must specify at least (1) loan eligibility provisions, (2) expenses for which loans may be made, and (3) the documentation a business must provide and procedures it must follow to qualify.

CLAIMING CREDITS

Businesses applying for the credit must document their eligibility to the DECD commissioner by November 1 annually. To claim the credit, a business must submit documentation to the revenue services commissioner that the loan fund complies with the DECD's regulations and that it has been randomly selected by the DECD commissioner to receive a credit.

REPAYMENT PROVISIONS

If a loan fund does not meet the 60% lending threshold within three years, as determined by the DECD commissioner, the bill requires DECD to notify businesses that received credits for fund donations. Those businesses must repay the credits to the extent provided in regulations.

A business must repay its credits to the revenue services commissioner on its first tax return after receiving notice of the DECD commissioner's determination. If it does not repay the full amount by the tax return due date, it must pay interest of 1% per month or fraction of a month from that date to the payment date.

BACKGROUND

Targeted and Public Investment Communities

"Targeted investment communities" are those that have enterprise zones. "Public investment communities" are towns in the top 25% of an eligibility index of local burdens based on income; property wealth; and tax, welfare, and unemployment rates.

These are the targeted investment and public investment communities for 2001.

Ansonia	East Windsor	Middletown	Plainville	Thomaston
Bloomfield	Enfield	Milford	Plymouth	Thompson
Bridgeport	Griswold	Montville	Putnam	Torrington
Bristol	Groton	Naugatuck	Seymour	Vernon
Brooklyn	Hamden	New Britain	Sprague	Voluntown
Canterbury	Hampton	New Haven	Stafford	Waterbury
Colchester	Hartford	New London	Sterling	West Haven
Derby	Killingly	Norwalk	Stratford	Winchester
East Hampton	Lisbon	Norwich	Southington	Windham
East Hartford	Manchester	Plainfield	Stamford	
East Haven	Meriden			

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 37 Nay 8